

LAW OFFICE

MCLEOD, WATKINSON & MILLER

MICHAEL R. MCLEOD
WAYNE R. WATKINSON
MARC E. MILLER
RICHARD T. ROSSIER
CHARLES A. SPITULNIK
RICHARD PASCO
ALEX MENENDEZ
AMY B. JONES
CHRISTOPHER J. SALISBURY*
(*Admitted in Maryland only)

ONE MASSACHUSETTS AVENUE, N.W.
SUITE 800
WASHINGTON, DC 20001-1401
(202) 842-2345
TELECOPY (202) 408-7763

BILL HAWKS
SENIOR POLICY ADVISOR

ROBERT RANDALL GREEN
LAURA L. PHELPS
DAVID R. GRAVES
GOVERNMENT RELATIONS

KATHRYN A. KLEIMAN**
OF COUNSEL
(**Admitted in Virginia only)

March 1, 2006



Honorable Vernon A. Williams
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: STB Finance Docket No. 34813, *New York New Jersey Rail LLC and New York Cross Harbor Railroad Terminal Corp. - - Transaction Within a Corporate Family*

Dear Sir:

We represent the City of New York, NY ("NYC") and the New York City Economic Development Corporation ("NYCEDC") (collectively referred to as "the City Parties") in the above-referenced proceeding. This letter is in response to the letter submitted by counsel for Petitioners New York Cross Harbor Railroad Terminal Corp. ("NYCH") and New York New Jersey Rail LLC ("NYNJ") (collectively "Petitioners") in this proceeding on February 24, 2006. The City Parties continue to oppose the approval of the transaction described in the Notice of Exemption filed in this proceeding on December 22, 2005 as amended on February 24, 2006.

Petitioners filed that Notice originally without providing written notice of the proposed transaction or seeking the consent of NYC as required by the contract by which NYCH currently occupies NYC property on the Brooklyn waterfront. Nor did Petitioners provide a copy of the Notice of Exemption to the City Parties or undersigned counsel. Nor did Petitioners respond to the letter that the City Parties sent to counsel for Petitioners and filed with this Board on December 28, 2005. Now that Petitioners belatedly have, on Thursday, January 23, 2006 written to the City Parties and requested the required consent to the transfer, the Petitioners assert that the proceeding should not be held in abeyance any longer.

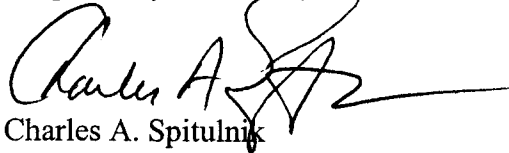
The City Parties respectfully disagree, and ask the Board to continue holding the proceeding in abeyance. Petitioners are aware of the process required for NYC to allow a party to enter into a contract with NYC. Although Petitioners have finally sought the City Parties' consent to the transaction, NYC has not yet received any of the documents required to determine whether it may enter into a contract with NYNJ. Continuing to hold this proceeding in abeyance

Honorable Vernon A. Williams
March 1, 2006
Page 2

will not require this Board to become involved in any contractual dispute between the parties, notwithstanding Petitioners' suggestion to the contrary. It will, however, require Petitioners to spend the time required to ensure compliance with the notice and approval processes required by the current agreement. Notably, Petitioners do not suggest to the Board that they will make all efforts to comply with the required NYC process. Instead, they propose to have the abeyance period terminate so that they can close the proposed transaction "notwithstanding the February 3, 2006 Motion filed by NYCEDC."

The "substantial public support" that is demonstrated by a single letter from New York State Senator Martin J. Golden does not trump the contractual obligations contained in the 1984 Permit issued by NYC and does not excuse the Petitioners' decision to attempt to proceed with the proposed transactions without complying fully with those obligations. Accordingly, the City Parties respectfully request this Board to continue holding this proceeding in abeyance, as requested in the Motion filed on February 3, 2006, pending the Petitioners' compliance with obligations of the 1984 Permit that governs NYCH's occupancy and use of NYC's property.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Charles A. Spitulnik", with a long horizontal flourish extending to the right.

Charles A. Spitulnik
Counsel for the City of New York, NY and the
New York City Economic Development
Corporation

cc: All Parties of Record